G034000-2-41036 N

PROSPECTUS

GAF Corporation

650,000 Shares

Common Stock

(Par Value $1 Per Share)

Plan for the Sale of Restricted and Unrestricted Common Stock to Employees Who Perform Executive, Administrative or Supervisory Functions (the "Stock Purchase Plan").

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

GAF Corporation (the "Company") is offering by this Prospectus a maximum of 650,000 shares of its Common Stock to those key employees of the Company and its subsidiaries who may from time to time be designated as eligible to purchase shares pursuant to the Stock Purchase Plan of the Company described in this Prospectus. This offer is made at the price and on the terms and conditions contained in a letter agreement which will be entered into by the Company and the offeree at the time an offer is made.

This Prospectus is also applicable to resales or offers, if any, of the shares covered by the Plan by purchasers or their transferees in the event that it might be deemed, the Company not so conceding, that any purchaser or his transferee may be an underwriter as defined in the Securities Act of 1933, as amended, with respect to any such shares as may be purchased by him and in the event that he may effectuate sales of such stock under circumstances requiring a prospectus.

In the event that any of the shares covered by the Plan are reacquired by the Company from purchasers pursuant to the terms thereof, this Prospectus is also applicable to offers or sales, if any, by the Company to the public of such shares on the New York Stock Exchange at the then current market prices.

The Common Stock of the Company is listed on the New York Stock Exchange. The additional 650,000 shares of Common Stock as to which this Prospectus relates have also been listed on the New York Stock Exchange, subject to official notice of issuance.

No person has been authorized by the Company to give any information or to make any representations not contained in this Prospectus, and, if given or made, such information or representations must not be relied upon as having been so authorized. This Prospectus does not constitute an offer of Common Stock in any State or other jurisdiction to any person to whom it is unlawful to make such offer in such State or other jurisdiction.

The date of this Prospectus is April 5, 1973

The Company has filed a Registration Statement in respect of the Common Stock to which this Prospectus relates with the Securities and Exchange Commission, Washington, D. C. 20549 under the Securities Act of 1933, as amended. This Prospectus does not contain all the information set forth in the Registration Statement, certain portions of which have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission. The information so omitted may be obtained in the Commission's principal office in Washington, D. C. upon payment of the fees prescribed by the Commission.

TABLE OF CONTENTS

Except where otherwise indicated, this Prospectus speaks as of its date of issue. Statements contained in this Prospectus as to the contents of any document referred to are not necessarily complete, and in each instance reference is made to the copy of the document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by this reference.

GENERAL

The Company was incorporated in Delaware in 1929 as American I.G. Chemical Corporation and changed its name to General Aniline & Film Corporation in 1939 and to GAF Corporation in 1968. References to the Company, unless the context otherwise requires, include GAF Corporation and its consolidated subsidiaries.

In 1942 over 90% of the Company's then outstanding stock was vested by the Federal Government under the Trading with the Enemy Act. After recapitalization of the Company's stock in 1964, the stock owned by the Federal Government was sold in a public offering in March 1965.

Since 1965, the Company has made a number of acquisitions pursuant to which it became engaged in the manufacturing, mining, distributing and selling of various building materials, floor coverings and industrial products and expanded the scope of its traditional dyestuff and chemical business and photo products and business systems operations.

The principal executive offices of the Company are located at 140 West 51st Street, New York, New York 10020, telephone number (212) 582-7600.

USE OF PROCEEDS

The net proceeds from the sale, from time to time, of the Common Stock will be added to the general funds of the Company.

CAPITALIZATION

The capitalization of the Company as of December 31, 1972 was as follows:

DEBT(1):	
Debt due within one year:	
Current portion of long-term debt (less $1,970,000 of 5⅞% Sinking Fund Debentures due December 1, 1991 held in treasury)	$ 15,128,000
Sundry short-term indebtedness	41,502,000
Total debt due within one year	56,630,000
Long-term debt (excluding current portion):	
5% Convertible Subordinated Notes due April 1, 1994 with annual prepayments of $10,000,000 beginning April 1, 1990, less $100,000 held in treasury	49,900,000
5⅞% Sinking Fund Debentures due December 1, 1991 with annual sinking fund payments of $2,500,000 beginning December 1, 1972	45,000,000
Notes due May 1, 1974 with quarterly installments of $2,500,000 (interest rate at ¼ of 1% above floating prime)	5,000,000
Notes due September 15, 1976 with quarterly installments of $1,000,000 beginning March 15, 1973 (interest rate at floating prime through December 31, 1972 and increasing at specified dates thereafter to a maximum of ½ of 1% above floating prime)	11,000,000
5½% Convertible Subordinated Notes due April 1, 1983 with annual prepayments of $200,000 on April 1, 1973 through 1982 and balance of $1,800,000 payable April 1, 1983	3,600,000
Other notes, which bear interest at 5½% to 9% and mature at various dates to 1986	3,621,000
Total long-term debt	118,121,000
Total debt	$174,751,000
SHAREHOLDERS' EQUITY:	
Preferred Stock, $1 par value; authorized 6,000,000 shares; outstanding 3,104,108 shares of $1.20 convertible preferred series, at assigned value of $1.25 per share(2)	$ 3,880,000
Common Stock, $1 par value; authorized 25,000,000 shares; issued—13,762,327.5 shares(3)	13,762,000
Additional paid-in capital	51,769,000
Retained earnings(1)	252,147,000
	321,558,000
Less Common Stock held in treasury—36,209 shares	295,000
Total shareholders' equity	$321,263,000
TOTAL SHAREHOLDERS' EQUITY AND LONG-TERM DEBT (excluding current portion)	$439,384,000

(Footnotes on following page)

G-I_EPA0019680

Notes:

(1) For a description of certain restrictions on the payment of dividends contained in certain of the agreements relating to such debt, and information as to the conversion rights with respect to the 5% Convertible Subordinated Notes due April 1, 1994 and the 5½% Convertible Subordinated Notes due April 1, 1983 see Note 7 of Notes to Consolidated Financial Statements.

(2) Outstanding shares do not include 3,129 shares reserved for payment of deferred stock awards under the Incentive Compensation Plan.

(3) Issued shares do not include: 3,884,046 shares reserved for issuance upon conversion of the $1.20 Convertible Preferred Stock outstanding or reserved for issuance; 1,814,546 shares reserved for issuance upon conversion of the 5% Convertible Subordinated Notes due April 1, 1994; 132,312 shares reserved for issuance upon conversion of the 5½% Convertible Subordinated Notes due April 1, 1983; 510,750 shares reserved for issuance pursuant to options under the Company's stock option plans (options covering 190,900 shares were outstanding at December 31, 1972); and 458,000 shares reserved for issuance under the Stock Purchase Plan. The balance of the shares (192,000) covered by the Stock Purchase Plan had been issued at such date. See "Description of Stock Purchase Plan".

For information concerning the Company's obligations under long-term leases of real property and equipment see Note 12 of Notes to Consolidated Financial Statements.

GAF CORPORATION
AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME

The following five-year statement of consolidated income has been examined by Haskins & Sells, independent certified public accountants, as stated in their opinion included elsewhere in this Prospectus. This statement should be read in conjunction with the other consolidated financial statements and the notes thereto included elsewhere in this Prospectus.

	Year Ended December 31,				
	1972	1971	1970	1969	1968
	(In Thousands of Dollars Except Per Share Amounts)				
Revenues:					
Net sales (Note B)	$768,460	$683,762	$583,482	$592,066	$554,264
Other income--net (Notes A and 2)	2,463	1,403	1,436	1,872	1,911
	770,923	685,165	584,918	593,938	556,175
Costs and Expenses:					
Cost of products sold (Note B)	535,395	477,236	419,844	417,302	385,121
Distribution and selling (Note B)	126,840	112,216	100,306	101,272	91,995
Research and development	14,113	12,649	12,656	13,261	12,291
Administrative and general (Note B)	33,989	30,720	22,245	20,667	18,520
Interest (Note D)	10,237	10,359	11,641	10,712	8,292
Operating loss of discontinued operations (Note B)	—	4,343	2,644	976	157
	720,574	647,523	569,336	564,190	516,376
Profit before Income Taxes and Extraordinary Items	50,349	37,642	15,582	29,748	39,799
Income Taxes (Notes C, 1 and 6)	22,643	15,735	7,189	14,506	18,567
Income before Extraordinary Items	27,706	21,907	8,393	15,242	21,232
Extraordinary Items (Note B)	—	(8,433)	6,300	(4,174)	—
Net Income (Notes C and E)	$ 27,706	$ 13,474	$ 14,693	$ 11,068	$ 21,232
Earnings applicable to Common Stock:					
Net income, as above	$ 27,706	$ 13,474	$ 14,693	$ 11,068	$ 21,232
Less Preferred Stock dividend requirements	3,759	3,802	3,795	3,793	3,774
Earnings applicable to Common Stock	$ 23,947	$ 9,672	$ 10,898	$ 7,275	$ 17,458
Primary earnings per common share (Note 1):					
Income before extraordinary items	$1.75	$1.33	$ .34	$ .85	$1.31
Extraordinary items	—	(.62)	.46	(.31)	—
Net income	$1.75	$ .71	$ .80	$ .54	$1.31
Fully diluted earnings per common share (Note 1):					
Income before extraordinary items	$1.49	$1.19	$ .38	$ .83	$1.23
Extraordinary items	—	*	.41	*	—
Net income	$1.49	*	$ .79	*	$1.23
Cash dividends declared:					
Per preferred share	$1.20	$1.20	$1.20	$1.20	$1.20
Per common share	$ .40	$ .40	$ .40	$ .40	$ .40
Weighted average number of shares of Common Stock outstanding (in thousands)	13,687	13,609	13,504	[illegible]	[illegible]

* Figure omitted because not dilutive.

Numerical note references are to notes to consolidated financial statements included elsewhere in this Prospectus.

(Notes to Statement of Consolidated Income on Following Page)

Note A:

The Company changed in 1971 to the equity method of accounting for an investment in a 49% owned company, Chemical Developments of Canada, Limited (CDCL). The Company's equity in the earnings of CDCL, included in other income, amounted to $240,000 and $146,000 for the year ended November 30, 1972 and the eleven months ended November 30, 1971, respectively. See Note 3 of Notes to Consolidated Financial Statements for further information.

Note B:

Extraordinary credits (charges) consist of the following:

Year ended December 31, 1969:	
Provision for estimated loss on disposal of certain plant facilities and related costs, less estimated applicable Federal income tax benefits of $3,331,000	$ (4,174,000)
Year ended December 31, 1970:	
Net gain on sale of Texas Amiben production facilities, abandonment of related production facilities, and renegotiation of the Amiben supply contract, less estimated applicable Federal income taxes of $1,044,000	$ 2,377,000
Net gain on sale of headquarters of English subsidiary, less estimated applicable foreign income taxes of $143,000	3,923,000
Total	$ 6,300,000
Year ended December 31, 1971:	
Provision for estimated loss on disposal of certain plant facilities and related costs, less estimated reduction of state and local income taxes of $477,000	$(18,975,000)
Less estimated credits (provision) for Federal income taxes and investment tax credit:	
Current	716,000
Deferred	8,570,000
Excess of investment tax credit recapture over unamortized deferred investment tax credit of $804,000	(13,000)
Total	9,273,000
Estimated net loss	(9,702,000)
Net gain on translation of foreign currencies (Notes 1 and 2)	992,000
Other items—net (principally reversal of the excess portion of the 1969 provision for loss on disposal of facilities)	277,000
Total	$ (8,433,000)

The Company's chlorine-caustic operations were discontinued in September 1971, the ethylene oxide and C[illegible]llite* operations were discontinued in November 1971, and the related production facilities were disposed of in 1972. The estimated net loss and related costs resulting from the proposed disposal of these facilities and an unused quarry, less a gain on the 1971 sale of certain woodlands, amounted to $9,702,000 as shown in the above summary. The sale of the facilities in 1972 resulted in a loss which was $20,000 greater than anticipated. Such loss is included in the 1972 statement of consolidated income.

The following is a summary of the operating loss (see (a) below) of the discontinued operations:

	Year Ended December 31,			
	1971	1970	1969	1968
	(In Thousands of Dollars)			
Net sales	$15,266	$15,224	$14,188	$15,284
Cost of products sold	18,051	16,149	13,503	13,574
Directly related expenses	1,558	1,719	1,661	1,867
Total	19,609	17,868	15,164	15,441
Operating loss(a)	$ 4,343	$ 2,644	$ 976	$ 157

(a) The Company reports its operations on the basis of responsibility accounting, whereby the various lines of business are measured after the assignment of only those items of income and expense for which each line of business is directly responsible. Accordingly, the operating losses as shown above are before the allocation of interest expense, the cost of functions that serve more than one line of business, miscellaneous expense and income items, and income tax effect.

The statement of consolidated income as previously presented for 1970, 1969, and 1968 has been restated to show separately the operating loss of operations discontinued in 1971.

Note C:

A change in the method of accounting for the investment tax credit increased income before extraordinary items and net income as follows:

	Year Ended December 31,	
	1972	1971
Income before extraordinary items and net income	$1,355,000	$1,068,000
Primary earnings per common share	.10	.08
Fully diluted earnings per common share	.07	.05

See Note 1 of Notes to Consolidated Financial Statements for further information.

Note D:

Interest is summarized as follows:

	Year Ended December 31,				
	1972	1971	1970	[illegible]	[illegible]
[illegible]	$ 7,[illegible]18,000	$ 8,218,000	$ 9,409,000	$ 8,506,000	$6,449,000
Amortization of debt discount and expense	42,000	43,000	43,000	45,000	44,000
Other interest	2,477,000	2,098,000	2,189,000	2,161,000	1,799,000
Total	$10,237,000	$10,359,000	$11,641,000	$10,712,000	$8,292,000

NOTE E:

Changes, as recommended by the Company's consulting actuary, of actuarial assumptions and the method of determining pension costs, increased income before extraordinary items and net income in the following approximate amounts:

	1972	1971	1970
Income before extraordinary items and net income ..	$400,000	$300,000	$400,000
Primary earnings per common share	.03	.02	.03
Fully diluted earnings per common share	.02	.02	.03

The increase in income for 1972 is attributable to an increase in sales and profits in the photo products, building materials and industrial products groups and the elimination of the loss on operations which were discontinued during 1971 (see Note B to the Statement of Consolidated Income). Major improvements in photo products operations were in both the industrial photo and consumer photo divisions. Industrial photo benefited from increased sales levels, lower raw material prices and improved manufacturing operations. Consumer photo experienced improved sales of film, VIEW-MASTER® products and hard goods, including slide and movie projectors. Strong demand for replacement roofing together with continued strength in housing starts contributed to the increase in building and floor product sales. The industrial products division had improved results in most operations, including sound deadening, roofing granule and felt products.

The increase in income before extraordinary items for 1971 is almost exclusively attributable to an increase in sales and profit margins in the areas of building and floor products and photo products. Sales of building and floor pro ts were aided by a substantial increase in housing starts and building products also benefited from strong demand for replacement roofing. Major increases in photo product sales were in the consumer photo division, particularly film, VIEW-MASTER® products and hard goods, primarily movie and still cameras. Photo product sales were also favorably affected by the acquisition of certain photo finishing plants and the business and assets relating thereto (see "Description of Business—Photo Products—Recent Developments"). The increase in administrative and general expenses resulted from expenses of newly acquired operations, a provision for incentive compensation in 1971 where none was earned in 1970, increased legal and professional fees and normal increases in line with the Company's management development and growth.

The reduction in income before extraordinary items for 1970 is attributable in large part to a decline in sales, especially in the areas of photo products and some of the Company's chemical products, caused [illegible] economy. Profits from photo products were further affected by operating problems incurred in introducing new technology and equipment relating to the manufacture of photographic film and paper. The profits of the Company's chemical products group were also affected by (i) difficulties encountered in connection with the expansion of the Company's facility in Linden, New Jersey, for the manufacture of chlorine and caustic soda, which caused unanticipated costs and a delay of full utilization of the facility and (ii) reduced purchases during 1970 by the Company's sole customer for Amiben, resulting from such customer having developed an inventory imbalance in such product. (Production of chlorine and caustic soda was discontinued as of September 1971. See Note B to Statement of Consolidated Income.) In addition, the Company implemented a planned reduction in all its inventories. As a result of this inventory reduction program, some chemical and all photo product plants were operated at lower levels, with a consequent effect upon the profitability of such plants.

The reduction in net income for 1969 is attributable to a reduced rate of sales growth, particularly evident during the second half of the year, combined with higher depreciation, increased interest costs, higher labor costs and heavier than usual expenses throughout 1969 for new plant start-ups and new product introductions.

PRICE RANGE OF COMMON STOCK; DIVIDENDS

The Company's Common Stock is listed on the New York Stock Exchange. The table below shows for the indicated periods the high and low sales prices of the Common Stock on the New York Stock Exchange.

The closing sale price of the Common Stock on the New York Stock Exchange on March 21, 1973 was $15⅛ per share. All price information contained in the table below was obtained from the National Quotation Bureau, Inc.

	Sales Prices	
	High	Low
1968	33½	18¾
1969	31⅛	14¾
1970	16⅞	7¼
1971		
First Quarter	15⅞	12⅜
Second Quarter	15½	12½
Third Quarter	21⅛	12¾
Fourth Quarter	24⅝	18⅛
1972		
First Quarter	27	22¼
Second Quarter	26¾	20⅝
Third Quarter	25⅜	20⅞
Fourth Quarter	23¼	19¾
1973		
First Quarter (to March 21)	22¼	15

The Company has paid quarterly dividends of 10¢ per share on its Common Stock for more than the past five years. Future dividends on the Common Stock will necessarily be dependent upon future earnings, the financial needs and condition of the Company and other factors. See "Description of Capital Stock" for information as to certain limitations on the payment of dividends and "Description of Business—New Economic Policy" for information as to dividend restraints in connection with the Government's economic stabilization program.

DESCRIPTION OF BUSINESS

The Company is engaged in the manufacture and sale of: (i) chemicals; (ii) photographic products; (iii) reproduction equipment, sensitized papers and forms used in business systems; (iv) building materials; and (v) industrial products.

The following table sets forth for the periods indicated (i) net sales and (ii) direct operating profit of the lines of business of the Company.

The Company reports its operations on the basis of responsibility accounting, whereby the various lines of business are measured after the assignment of only those items of income and expense for which each line of business is directly responsible. The Company's accounting system does not provide for the allocation of interest and other debt expense, the cost of functions that serve more than one line of business, and miscellaneous expense and income items.

	Year Ended December 31,				
	1972	1971	1970	1969	1968
			(000 Omitted)		
Net Sales					
Chemicals	$156,295	$145,788	$142,028	$151,149	$137,049
Photo Products	205,348	177,765	137,750	145,282	135,374
Business Systems	89,125	80,553	83,904	74,790	69,637
Building Materials	263,530	232,981	176,086	175,728	168,203
Industrial Products	54,162	46,675	43,714	45,117	44,001
Total	$768,460	$683,762	$583,482	$592,066	$554,264
Direct Operating Profit by Group					
Chemicals	$ 20,428	$ 20,872	$ 20,884	$ 24,244	$ 20,954
Photo Products	8,882	4,544	(3,115)	6,805	13,434
Business Systems	2,280	2,382	4,512	4,406	4,902
Building Materials	42,182	39,315	18,383	16,959	17,887
Industrial Products	9,822	8,526	8,326	9,173	8,410
Total	83,594	75,639	48,990	61,587	65,587
Operating Loss of Discontinued Operations	—	(4,343)	(2,644)	(976)	(157)
Unallocated Corporate Expenses	(33,245)	(33,654)	(30,764)	(30,863)	(25,631)
Profit before Income Taxes and Extraordinary Items (Note)	$ 50,349	$ 37,642	$ 15,582	$ 29,748	$ 39,799

NOTE: Profit before income taxes and extraordinary items for the years 1971 to 1968 has been restated to classify state and local taxes based on income in Income Taxes to conform with the 1972 classification.

The principal products, sources of supply, market position and recent developments with respect to the Company's five product groups are as follows:

Chemicals

Products

The Company's chemical products include the following:

Dyestuffs and Pigments—The Company's line of dyestuffs is primarily used in the textile industry and also in the leather and paper industries. Its broad range of organic pigments is used for coloring many different products, including rubber, plastics, printing inks, natural and synthetic textiles, paints and lacquers; *Surface-active agents*—Surface-active agents (or surfactants) possess detergent, emulsifying, dispersing and wetting properties and are used in the manufacture and compounding of detergents (primarily industrial), insecticides, pesticides, textiles, paper, leather, rubber, plastics and chemicals and in the production and refining of petroleum and mineral products; *High-Pressure Acetylene Derivatives*—The Company has developed and employs techniques for processing acetylene, a very explosive gas, under high pressure into a wide variety of acetylene derivatives, with uses in the manufacture of plastics, synthetic fibers, cosmetics, electroplating chemicals, pharmaceuticals, solvents and adhesives; *Specialty and Textile Chemicals*—These include bactericides and fungicides, brighteners, leather tanning and finishing agents, textile treating chemicals, flame retardants, antistats, ultraviolet absorbers, solvents, carbonyl iron powders and silver salts; *Industrial Organic Chemicals*—These compounds are used in the production of surfactants, dyestuffs, pharmaceuticals, defoliants, herbicides, growth regulators and other agricultural chemicals, plastic stabilizers, electroplating chemicals, and photosensitive and other chemicals; and *Latex Products*—These products include rubber and polymer latices for rug backings, fabric coatings and paper coatings; latex foam backing for drapery fabrics; and latex adhesives for fabric lamination.

The Company's chemical products are sold to users principally by its own sales personnel and, in some cases, by independent distributors.

Raw Materials

The raw materials used in the production of the Company's chemical products are purchased from a large number of outside sources, in many cases pursuant to supply contracts which are, in general, standard for the industry. Certain of the Company's raw material requirements, including acetylene, are obtained from single or limited sources pursuant to supply contracts. The Company considers these sources to be stable. With respect to acetylene, which is supplied to the Company at two locations by separate sources, were either of the sources to be discontinued the development of alternate sources of supply could involve interruption of production and would probably result in substantially increased costs.

Market Position

The Company believes that it ranks among the principal producers of dyestuffs in the United States although it faces competition from many companies, some of which are substantially larger than the Company. In addition, competition from foreign sources is severe.

The Company is the sole United States producer of a complete line of high pressure acetylene derivatives, although it competes with foreign manufacturers, only one of whom is an important factor in the domestic market.

In the balance of its chemical business the Company faces competition from many companies, certain of which are substantially larger than the Company and offer a broader range of products. The Company believes that the great size and diversified nature of the chemical industry make it impossible to give a meaningful estimate of the relative position of the Company in this field.

Recent Developments

Since 1962, the Company has been manufacturing a herbicidal product called chloramben (also known as Amiben) for and pursuant to specifications furnished by Amchem Products Inc. ("Amchem"). In 1968, at Amchem's request, the Company erected a new facility for the production of Amiben at Texas City, Texas. In 1970 the Company sold its Amiben manufacturing facility to Amchem and, pursuant to contractual arrangements, continues to use the facility to produce the Amiben requirements of Amchem. Amchem owns patents covering Amiben and is the Company's only potential customer for such product. Amiben faces competition from herbicides of other companies and in the event Amchem's requirements for Amiben should decline substantially, such decline would have an adverse effect on the Company's earnings.

See Note B to Statement of Consolidated Income for effect of discontinuance of chlorine-caustic and ethylene oxide operations.

In January 1973, the Company announced its intention to discontinue over a period of several years its dyestuff and pigment manufacturing operations in Linden, New Jersey. This decision was caused by severe competition from abroad and certain other economic factors. The Company will continue to make certain other types of dyestuff and pigments at its Rensselaer, New York plant. It is not anticipated that the planned discontinuance over a period of years of its Linden dyestuff and pigment operations will materially affect either the Company's financial position or results of operations, or its position as a principal producer of dyestuffs and pigments in the United States. The Company is investigating the development of other sources for such products produced at Linden, New Jersey in order to continue to service the market therefor.

Building Materials

Products

The building materials portion of the Company's business includes the manufacture of the following products: asphalt shingles; built-up roofing, consisting of organic and asbestos-based felts; asphalt roof coatings and plastic cements; organic and asbestos dry felt produced primarily for use by the Company's roofing and flooring plants; mineral fiber roof shingles and siding; mineral fiber building board; mineral fiber decorative brick; mineral fiber canal bulkhead designed and processed to prevent land erosion by either salt or fresh waters; fiberglass insulation and vinyl siding (both purchased for resale); and asphalt and vinyl asbestos floor tiles, adhesives, cove bases and vinyl sheet floor coverings.

The Company sells its products through its own salesmen to wholesalers, retailers, applicators, contractors and builders. Such sales are limited, in the case of building materials other than floor tiles and sheet vinyl, to states east of the Rocky Mountains. Its products are also supplied, on a bid basis, to Federal and State agencies.

Raw Materials

A major portion of the raw materials used for the manufacture of building materials is purchased from a large number of outside sources and the balance is produced by the Company, including mineral granules, which are used to surface asphalt roofing products.

Raw material ingredients for dry felt, normally in good supply, are rags, waste paper, pulpwood and wood flour, purchased in the open market at prices which are subject to fluctuation. Asphalt is purchased from major oil refineries and independent operators, in one case pursuant to a long term supply contract. The Company purchases the fiberglass material used for its insulation products from one source which it considers to be a stable one.

Market Position

The building materials industry is highly competitive. The Company believes that it is one of the leading producers of asphalt roof shingles and built-up roofing, mineral fiber roof and siding shingles, mineral fiber flat sheets, canal bulkhead and vinyl floor coverings.

Recent Developments

As a result of the settlement in May 1970 of a lawsuit commenced in 1966 against The Ruberoid Co., the Company entered into a license agreement with Congoleum Industries, Inc. whereby the Company was licensed to manufacture and sell foamed vinyl flooring which uses a chemical embossing process. In exchange for such license, the Company agreed to pay a royalty equal to 5% of the net sales of such product during the term of the Agreement, which has a stated term ending on December 20, 1983, and, in any event, the Company is required to pay a minimum royalty of $125,000 a year through 1983, which amount is applied against royalties payable in each such year. Royalties paid under this agreement for 1971 and 1972 amounted to approximately $1,151,000 and $1,023,000, respectively.

In December 1972, the Company completed the construction of a new plant in Mount Vernon, Indiana for the manufacture of asphalt roofing shingles and built-up roofing materials. The plant provides approximately 80,000 square feet of manufacturing space on a 36 acre site and increases the Company's production capacity for these products by 6%.

Roofing products constitute a major portion of total sales of the building products group. Housing starts reached a record level of approximately 2,350,000 units in 1972, a 15% increase from the prior record established in 1971. In January 1973, the Government announced a moratorium on new commitments for subsidized federal housing. This action, together with other factors, including the availability of funds and interest rates, may reduce housing starts in 1973, although the rate of housing starts to date has not been materially different from 1972 and the sales of the Company's roofing products have not been adversely affected to date. It is believed that a majority of roofing products sold by the Company are used in re-roofing of existing structures. Re-roofing sales, in any given year, are not affected immediately by the incidence of new housing starts for such year.

Business Systems

Products

The business systems portion of the Company's operations consists primarily of the production and sale of diazo reproduction equipment and business forms. Other products include electrostatic copying machines, toner and paper, sensitized reproduction materials and micrographic film systems.

The diazo reproduction process, while suitable for copying engineering and architectural drawings because of its capacity to make larger copies, is limited in general applicability by the need for a translucent master sheet printed only on one side, and in the case of dry machines using ammonia vapor, the need to vent such vapor.

The business systems products are sold in part directly by the Company's own employees and in part through independent dealers. The machines sold by the Company are serviced in part by the Company's own employees and in part by employees of such independent dealers, who are trained by the Company.

Raw Materials and Supplies

The raw materials and supplies used in the manufacture of these products are purchased from several sources and, although in some cases parts are built to the Company's specifications, alternate sources for such parts are available.

Market Position

The Company believes that it is one of the two leading domestic producers of diazo reproduction equipment and diazo papers, plastics and other diazo coated products.

The field of business forms produced pursuant to customer specifications is dominated by another company. The business forms products of the Company are not sold nationwide.

The office copier field is presently dominated by another company. That company's equipment produces copies on ordinary paper, whereas the equipment of the Company, and substantially all other companies with which it also competes, require specially treated paper.

Photo Products

Products

The photo products sold by the Company consist of the following: *Consumer Photo Products*—including color and black-and-white film (print film, slide film and movie film), still and motion picture cameras and projectors, slide viewers and scenic slide assortments, and VIEW-MASTER® and TALKING VIEW-MASTER® stereo reels and viewers; *X-ray Products*—including X-ray film and developing chemicals for medical, dental and industrial use; *Graphic Arts Products*—including film, film bases, and chemicals used in photolithography, rotogravure printing, offset printing, photographic type-setting and photo-engraving; *Industrial Products*—including film and paper employed in oscillograph recording, mapping and tracing; and *Professional Photography Products*—including black-and-white and color still film, color motion picture film, and photographic papers. Professional photographic applications include press and industrial photography and professional portraiture.

The Company also offers consumer photo finishing services, and in this connection, in March 1971, acquired the thirteen photo finishing plants and the business and assets relating thereto of Cadence Industries Corporation, for a cash purchase price of approximately $15,200,000 and the assumption of certain liabilities in connection with such business. Such plants, business and assets are operated by the Photo Service Division of the Company.

Distribution of the Company's consumer and professional photo products is made through a field sales force consisting in part of the Company's own employees and in part of independent sales representatives or distributors, primarily to mass merchandisers and also to photo specialty shops. The Company's graphic and X-ray photo products are sold in part to distributors, and in part, along with other industrial photo products, directly to users.

Lenco Photo Products, Inc., a subsidiary which is a separate marketing component of the Photo Products Group, distributes slide projectors manufactured by the Company and other photographic supplies and equipment manufactured by others, including lenses, 8mm. home movie cameras and projectors.

Supplies

The Company purchases from several sources the raw materials and certain components (some of which are manufactured pursuant to its specifications), for the film, paper, slide and motion picture projectors and viewers manufactured by it. Silver, which is one of the more important raw materials used in the manufacture of film and photographic paper, is purchased on the open market at prices subject to wide fluctuation. In 1972, and to a greater degree to date in 1973, the price of silver increased substantially. Because of advance purchases of silver by the Company in 1972 the rise in silver prices was not fully reflected in its 1972 costs. In 1973 costs for silver will more directly reflect the current market price of silver. The still and motion picture cameras sold by the Company are manufactured specially for the Company by companies located in Japan and Hong Kong. As a result of recent devaluations of the U. S. dollar, the Company has been forced to increase the prices of its still and motion picture cameras which increases may adversely affect demand for such cameras. See "New Economic Policy". The dominant company in the photographic industry produces cameras domestically. Acetate film base used by the Company is manufactured by it. Other film base and raw paper used by the Company are purchased from domestic and foreign sources.

Market Position

In general, the Company offers a broad range of photographic products, which is, however, considerably narrower than that offered by the dominant company in the field. In the photographic market in the United States, the same large company is generally predominant and the Company has only a small share of this market. In addition, there is competition from foreign sources.

The Company believes it is the leading producer of stereo viewers and reels.

Recent Developments

The Company's film, under an agreement which has been extended to 1976, has been named the official film of Disneyland and Walt Disney World where the Company has established Photo Exhibit Centers and where the Company's photo products are sold through more than 50 retail photo outlets. Similar arrangements have been made at certain other amusement centers, including Sea World and Jungle Habitat.

In addition, as described above, in March 1971, the Company purchased the consumer photo finishing business and assets relating thereto of Cadence Industries Corporation.

Late in 1972, the Company introduced pocket-sized instant loading cameras manufactured specifically for the Company. The consumer acceptance of such cameras has been satisfactory to date. The Company has also introduced print film for use in such cameras which can be developed with the same chemicals currently used to develop the print film employed in standard size instant loading cameras of the Company and the dominant company in the photographic field.

Early in 1972 the dominant company introduced pocket-sized instant loading cameras using a new print film requiring different developing chemicals and has indicated that such new film will replace, over a period of time, existing print film offered for standard size instant loading cameras. The proposed introduction of such new film for standard size instant loading cameras, and the conversion by photo finishers to the different chemicals involved in developing such film, may have the effect of reducing the number of photo finishers who will retain the capability of developing the Company's print film and may thereby reduce the demand for such film. Regardless of this development, the Company's photo finishing plants will retain the capacity to develop the Company's film. The Company is engaged in a research and development program to produce print film which can be developed by the same chemicals used to develop the new print film introduced by the dominant company. There can be no assurance that the Company will be successful in this program.

It was recently reported that the dominant company in the industry reduced the price of its most popular sizes of amateur color print film 11% to 18% and reduced the price of its color print paper by approximately 9%.

Industrial Products

Products

The Company's industrial products include asbestos fibers, unsaturated felts, automotive sound deadening and insulation felts and boards, asbestos papers, mineral granules and inert fillers, pressed wool felts, synthetic fiber felts, papermakers felts, filter devices and custom designed industrial products. The Company's industrial products are sold to users in part by its own salesmen and in part by independent distributors.

Raw Materials and Supplies

Basic raw materials and supplies used in the manufacture of the Company's industrial products are all normally in good supply although prices are subject to fluctuation.

Market Position

The market for industrial products is highly competitive. The Company believes that the great size and diversified nature of the industrial products industry make it impossible to give a meaningful estimate of the relative position of the Company in this field.

International Operations

The Company's international operations, which are consolidated in the net sales and income for the Company's five lines of business contained herein, include foreign distribution of the products manufactured by the Company in the United States and abroad (principally its business systems products), and by other suppliers. These operations are conducted primarily in Western Europe. For 1972, the Company's international operations, including export sales from domestic operations, accounted for approximately 13% of its net sales.

The Company's investments in foreign operations are subject to the United States Government's Foreign Direct Investment Regulations. These regulations cause the Company, and other companies with sizeable foreign operations, to seek alternate means of financing international growth through the use of funds generated from foreign sources. To date, foreign government currency regulations have had no material effect on the Company's operations.

Backlog

The Company does not consider backlog to be a material factor in any of its five lines of business.

Research and Development

In 1972, the Company spent approximately $14,113,000 for research and development in connection with the discovery and development of new products and processes, the improvement and refinement of existing products and processes, and the development of new uses for existing products. At December 31, 1972, 290 professional employees were engaged in Company sponsored research and development. The Company does not classify such employees on the basis of the types of research and development undertaken.

During 1972 the Company relocated several research and development functions to Wayne, New Jersey. See "Facilities" for further details concerning the Wayne site.

Employees

At December 31, 1972 the Company employed 22,827 people. At such date, approximately 9,131 employees in the United States and Canada were represented by unions under contracts which are effective, in most cases, for one or two year periods. Employee relations at all the Company's plants have been generally satisfactory. However, in 1972 the Company experienced a 56 day strike at its Whitehall, Pennsylvania sheet vinyl plant following contract termination, in 1971 it experienced a 96 day work stoppage at its Rensselaer, New York chemical plant arising out of contract renewal negotiations, and, in 1970, it experienced two extended work stoppages: a 77-day strike at the Mobile, Alabama building products plant and a 54-day shutdown in the Tampa, Florida building products plant. The Company has in effect various benefit plans which form a comprehensive employee security program. These include the Company's Retirement Plan and group insurance arrangements covering life, accident, hospital, surgical and medical insurance. The Company and, in most cases, the employees contribute to the costs of the insurance arrangements. See Notes 1 and 9 of Notes to the Consolidated Financial Statements and "Management—Remuneration" for further details concerning the Retirement Plan.

Patents

The Company owns approximately 1,700 unexpired United States patents, approximately 2,900 foreign patents and numerous trademarks and copyrights, and is licensed under many others, no one of which, nor group of which, is deemed to be significant and material to the conduct of the Company's business as a whole other than the patents covered by the licenses from Congoleum Industries, Inc., and Amchem described under "Building Materials—Recent Developments" and "Chemicals—Recent Developments", respectively, and a group of patents relating to photographic products covered by licenses from the dominant company in the photo products field.

New Economic Policy

Under the authority of the Economic Stabilization Act of 1970, effective August 15, 1971, prices, salaries and wages were frozen at their then existing levels for a period of 90 days ending November 13, 1971, at which time limited increases in prices, salaries and wages were permitted to the extent they met the specific guidelines set forth under the Regulations issued by the Price Commission and the Pay Board established under "Phase II" of the President's new economic policy. The Company filed with the Cost of Living Council (formerly the Price Commission) a request for an increase in its "base period profit margin" under Phase II of the Government's economic stabilization program and received notification on March 5, 1973 of partial relief with respect to the method of determining its base period profit margin. Although the Company intends to seek further relief with respect to its request, compliance with the Council's determination will not have a material effect on the Company's results of operations in 1973.

On January 11, 1973, "Phase III" of the President's economic policy went into effect. Under Phase III standards have been adopted which are intended to be applied voluntarily and on a self-administered basis. The standard for price adjustments provides that increases of prices above authorized levels should not exceed increases of costs. Even where costs have increased, prices should not be increased if the profit margin would exceed the base period profit margin. Alternatively, prices may be increased to reflect increased costs without regard to the profit margin test if the weighted average price increases do not exceed 1.5% over prices authorized or lawfully in effect on January 10, 1973. Prior limitations on wages and salaries were continued in modified form. It is not anticipated that Phase III will have a material adverse effect on the Company's financial position or results of operations.

The Committee on Interest and Dividends provided in guidelines issued on November 29, 1972 that cash dividends paid on common stock in 1973 should not exceed by more than 4% the aggregate payment per share permitted under the guidelines in 1972. A guideline adjustment provides that a company may declare cash dividends on common stock at such rates that the aggregate dividends paid in 1973 will not exceed 25% of the 1972 net income (after taxes and dividends on preferred stock).

In December 1971 and again in February 1973, the U. S. dollar was devalued in relation to gold and to certain other foreign currencies. The Company believes that the cumulative net effect of such devaluations has been favorable to its business.

Environmental Control

By reason of the nature of many of the Company's operations, environmental standards promulgated by various regulatory bodies, many of which regulatory bodies have been recently established by state or local laws or regulations, are having or will have a substantial impact upon the Company. In some cases, the Company has obtained variances which are conditioned upon compliance at some future date and in other cases, it is seeking to work out similar arrangements. In addition, Federal statutes dealing with the protection of the environment, including the Federal Water Pollution Control Act and the Federal Refuse Act which regulate discharges into navigable waters, and The National Air Quality Standards Act which regulates air quality and the emission of pollutants, have affected and will increasingly affect the Company. The Company is undertaking additional anti-pollution activities which will undoubtedly be increased in response both to the Company's continuing efforts to deal with environmental problems and to increased Federal, state and local regulation in this area.

In addition, the Federal Occupational Safety and Health Administration has promulgated numerous regulations dealing with various aspects of the Company's operations, including regulations relating to permissible levels of asbestos dust in plants. The Company has adopted programs to comply with these regulations, including a program to monitor all plants using asbestos preparatory to taking such action as may be required to comply with these regulations.

While the exact nature of the environmental control problems which the Company will encounter in the future cannot be predicted, substantial additional capital expenditures, the amount of which cannot be estimated at this time, as well as increased operating expenses, will be occasioned by the Company's continuing effort to deal with environmental problems arising from its activities and to comply with the statutes and regulations referred to above. Pollution control requirements resulted in capital expenditures of approximately $5,800,000 in 1972 and $5,000,000 in 1971. The Company expects to invest an additional amount of approximately $30,000,000 in pollution abatement facilities by the end of 1975, although no assurance can be given that this amount will not be larger in view of the foregoing factors.

On August 30, 1971 the Company entered into an agreement with Rensselaer County Sewer District No. 1 for the construction, operation and maintenance of facilities to intercept and treat the industrial wastes discharged from the Company's Rensselaer manufacturing plant. Assuming State funding is available for 12% of the project costs the Company's obligation for the first year of operation, which is anticipated to commence in late 1975, is presently estimated at $260,000. Of this sum approximately $100,000 is estimated to be attributable to debt service and the balance to operating and maintenance costs. It is anticipated that operating and maintenance costs will increase in the future. It is expected that the debt service obligation will continue for approximately 27 years after commencement. The Company will be obligated to pay a portion of the operating and maintenance costs through June 30, 1990, even though it may cease to use the facility prior to such time.

Facilities

The Company's major plants are as follows:

Chemicals: Shallowford, Tennessee; Calvert City, Kentucky; Linden, New Jersey; Rensselaer, New York; Texas City, Texas; and Glens Falls, New York.

Photographic Products: Binghamton, New York; Philadelphia, Pennsylvania; Los Angeles, California; Sint-Niklaas, Belgium; and Progress, Oregon.

Business Systems: Vestal, New York; Johnson City, New York; London, England; Delft, The Netherlands; Shelby, Ohio; and Sydney, Australia.

Building Products: Mobile, Alabama; Long Beach, California · Denver, Colorado; Tampa, Florida; Savannah, Georgia; Joliet, Illinois; Mount Vernon, Indiana; Baltimore, Maryland; Millis, Massachusetts; Minneapolis, Minnesota; Kansas City and St. Louis, Missouri; South Bound Brook, New Jersey; Vails Gate, New York; Erie and Whitehall, Pennsylvania; and Dallas and Houston, Texas.

Industrial Products: Annapolis, Missouri; Glenville, Connecticut; Joliet, Illinois; Franklin, Massachusetts; Warren, Michigan; Bound Brook, New Jersey; Newburgh, New York; Charroain, Pennsylvania; and Westerly, Rhode Island. The Company owns an asbestos mine in Hyde Park, Vermont and rock quarries in Annapolis, Missouri; Kremlin, Wisconsin; and Fairmount, Georgia.

With the exception of the plants located in Warren, Michigan and Annapolis, Missouri (building only), which plants are leased to the Company, the above mentioned properties are owned by the Company in fee. As described in "Description of Business—Chemicals", that portion of the plant (building and equipment only) at Texas City, Texas which produces Amiben has been sold to Amchem.

The Company also owns or leases many other smaller plants, research laboratories and sales and distribution offices in the United States and elsewhere.

The Company believes that in general these plants and facilities, which are of widely varying ages and of different types of construction, have been adequately maintained and are in good condition. Each plant has adequate transportation facilities for both raw materials and finished products.

The executive offices of the Company at 140 West 51st Street, and substantially all of the administrative offices of each division, are housed in approximately 264,000 square feet of leased space at 140 West 51st Street and 1180 Avenue of the Americas, New York City, of which 240,000 square feet is presently used by the Company.

In July 1972, the Company leased certain laboratory facilities and approximately 100 acres of land in Wayne, New Jersey at which it consolidated a number of its research and development operations. A new 80,000 square foot building is being constructed on this property which, upon completion (estimated to be in 1974), will be used for the Company's general administrative and clerical personnel and for its principal electronic data processing facilities. After completion, the Company will consolidate its New York City office at 140 West 51st Street. The Wayne lease is for a period of 25 years with an option to buy the property at a nominal amount when the lease expires. Annual rentals (the lease is a "net lease" under which the Company is obligated to maintain, repair, insure and pay all taxes on the property) are calculated to allow the lessor to recover the cost of the property, its annual interest costs of 7¾% and its other expenses of leasing the property. The cost of the land and existing facilities, refurbishing of existing facilities and construction of the new office building is estimated to be $12,700,000. The Company believes that the useful life of most of the buildings remaining at the scheduled termination of the lease will be relatively short.

Litigation

On April 21, 1971 and May 20, 1971 shareholder derivative actions were commenced by Nina Altman and Bessie N. Shapiro, respectively, in the Supreme Court of the State of New York for the County of New York and for the County of Kings, respectively, against the Company, certain present and former directors of the Company, and, in the case of the first such action, the individuals comprising the slate of directors proposed by the insurgents during the 1971 proxy contest, and, in the case of the second such action, a vice president of the Company. Injunctive relief and damages are sought for alleged corporate waste by reason of allegedly excessive amounts spent by the Company in the 1971 proxy contest allegedly for purposes unrelated to corporate policies. A companion Altman action against the Company and the same present and former directors of the Company seeking the same relief against them was commenced in the Delaware Chancery Court in New Castle County on or about September 30, 1971. The charges have been denied. On April 14, 1971 and November 10, 1972 Richard A. Ash commenced two shareholder derivative actions in the United States District Court for the Eastern District of Pennsylvania against the Company and variously against certain present and former directors and a vice president of the Company alleging violations of the Federal securities laws in that allegedly false and misleading statements were made and material matters allegedly omitted in proxy materials distributed to the Company's stockholders in 1969, 1971 and 1972. The claim is also made that the defendant-directors in about 1969 entered into a plan to keep from shareholders all corporate matters requiring their approval, including the election of directors and the adoption of stock plans, through such proxy solicitation materials and by holding shareholders' meetings in allegedly inaccessible locations. Injunctive relief and punitive damages are sought. A stay of all proceedings was entered in the first of these actions on April 26, 1971 and in the second action service has not been made upon any of the defendants. Efforts are being made to terminate these actions by settlement.

A judgment of the United States District Court for the Southern District of New York in two shareholder derivative actions which became final on February 5, 1973 authorizes the Company and others to consummate a settlement approved by the Court which provides, among other things, for the termination of three pending actions to which the Company is a party: an action commenced by the Company on December 10, 1970 in the United States District Court for the Southern District of New York against Paul Milstein, Seymour Milstein, Morris Milstein and Gloria Milstein Flanzer (the "Milsteins") charging untimely, false and misleading filings in violation of the Federal securities laws; an action commenced by the Company on February 24, 1971 in such Court against the Milsteins and Circle Floor Co., Inc. alleging violations of Section 1 and 2 of the Sherman Act and Section 7 of the Clayton Act and seeking treble damages and injunctive relief; and an action by Paul and Seymour Milstein and the so-called GAF Stockholders Protective Committee which was commenced on March 15, 1971 in such Court against the Company, certain present and former directors of the Company, and a vice president of the Company alleging violations of the Federal securities laws relating to the management's solicitation of proxies during the 1971 proxy contest and fraud in connection therewith and seeking damages and injunctive relief. See "Description of Stock Purchase Plan". The parties currently are proceeding to discontinue such actions with prejudice in accordance with the settlement. In a post-judgment determination made on March 6, 1973 the Court in such two shareholder derivative actions awarded fees and disbursements to counsel for the plaintiffs pursuant to a formula fixed by the Court, such fees and disbursements not to exceed $500,000.

There are certain other lawsuits and claims pending against the Company.

The Company believes that the ultimate disposition of such lawsuits will not materially affect its consolidated financial position or its operations.

MANAGEMENT

The directors and executive officers of the Company are as follows:

Name	Position
Jesse Werner(1)	Director; Chairman of the Board and President
Philip B. Dalton	Director; Executive Vice President
T. Roland Berner(1)	Director; Chairman of the Board and President, Curtiss-Wright Corporation
Rainer E. Gut(1)	Director; Deputy General Manager, Swiss Credit Bank
Bailey K. Howard(1)	Director; Chairman of the Executive Committee, Field Enterprises, Inc.
Wm. Peyton Marin(1)	Director; Attorney
James J. O'Leary	Director; Vice Chairman of the Board, United States Trust Company of New York
Victor E. Rockhill	Director; Executive Vice President, The Chase Manhattan Bank, N.A.
Donald L. Sanders	Director; Consultant
Howard S. Turner	Director; Chairman and Chief Executive Officer, Turner Construction Company
John E. Zimmerman	Director; Executive Vice President
Juliette M. Moran	Senior Vice President
James M. Cloney	Group Vice President (Business Systems Group)
Joseph G. Hall	Group Vice President (Building and Industrial Products Groups)
Howard L. Minckler	Group Vice President (Chemical Products Group)
James T. Sherwin	Group Vice President (Photo Products Group)
Raymond Addeo	Vice President (Consumer Photo)
John J. Butler	Vice President (Building Products)
J. Stokes Clement	Vice President
Thomas A. Dent	Vice President (Technical Services)
Stanley B. Feuer	Vice President, General Counsel and Secretary
R. Power Fraser	Vice President (Floor Products Division)
A. Robert Garofalo	Vice President (Public Relations)
Jack F. Gow	Vice President (Personnel Relations)
Kenneth H. Houtz	Vice President (Industrial Photo)
Simon W. Kantor	Vice President (Research and Development)
N. Paul Klaas	Vice President (Commercial Development)
W. Richard Margerm	Vice President and Controller
James C. Murphy	Vice President (Distribution)
Jay R. Olson	Vice President and Treasurer
Alfred P. Rimlinger	Vice President (International Services)
Jack Scheckowitz	Vice President (Advertising and Promotion)
Raymond J. Wilcox	Vice President (Office Systems)

(1) Member of the Executive Committee of the Board of Directors.

Jesse Werner, Philip B. Dalton, Juliette M. Moran, James M. Cloney, Joseph G. Hall, James T. Sherwin, Raymond Addeo, John J. Butler, J. Stokes Clement, Thomas A. Dent, R. Power Fraser, Jack F. Gow, James C. Murphy, Alfred P. Rimlinger, Jack Scheckowitz and Raymond J. Wilcox have been employed by the Company for at least five years.

W. Richard Margerm joined the Company in 1970, prior to which he was Senior Manager of the New York Management Services Group of Price Waterhouse & Co. From 1969 to 1970, when he joined the Company, Jay R. Olson was Vice President and Treasurer of Diversa-Graphics, Inc. and from 1963 to 1969 he was Assistant Treasurer of Continental Can Company. From 1967 until he joined the Company in 1971 Stanley B. Feuer was Vice President and General Counsel of Studebaker-Worthington, Inc. From 1968 to 1969 when he joined the Company, A. Robert Garofalo was employed by Heublein, Inc. as Manager of Corporate Communications and prior thereto he was employed by Lederle Laboratories, a division of American Cyanamid Company as Assistant Manager—Public Relations. Kenneth H. Houtz was Vice President of American Hoechst Corp., Azoplate Division, from 1967 until 1971 when he joined the Company. N. Paul Klaas was Executive Vice President of Wyomissing Corp. for more than five years prior to 1971 when he joined the Company. Howard L. Minckler was employed by Monsanto Company in various managerial capacities for more than five years prior to 1972, when he joined the Company. From 1968 until he joined the Company in 1972, John E. Zimmerman was Vice President—Finance and Administration of Air Products and Chemicals, Inc., and prior thereto he was Vice President—Finance and Secretary of King-Seeley Thermos Co. Prior to joining the Company in 1972, Simon W. Kantor was employed in various managerial capacities by General Electric Company.

As of March 5, 1973, all officers and directors of the Company, as a group, owned 214,654 shares of Common Stock representing 1.57% of such shares then outstanding and 9,570 shares of the $1.20 Convertible Preferred Stock, representing 0.31% of such shares then outstanding.

Remuneration

The following table sets forth the total direct remuneration earned during the year 1972 by each director, and each of the three highest paid officers, whose total direct remuneration exceeded $30,000, and by all directors and officers as a group.

Name	Capacities in Which Remuneration Was Received	Remuneration Exclusive of Incentive Compensation
Jesse Werner	Chairman of the Board and President	$200,000(a)
Philip B. Dalton	Executive Vice President	100,000
John E. Zimmerman(b)	Executive Vice President	41,667
Edward J. Williams(c)	Executive Vice President	31,859
Joseph G. Hall	Group Vice President	65,000
All Officers and Directors as a group (49 persons including the above)		1,684,179(d)

(a) Dr. Werner has an employment contract dated June 21, 1972 which provides for compensation at the rate of $200,000 per year for a term of five years commencing July 1, 1972. Under prior contracts, Dr. Werner has accrued $135,000 of deferred compensation for employment from July 1, 1962 to June 30, 1965, $65,000 of deferred compensation for the year ended July 1, 1966 and $70,000 of deferred compensation for the year ended July 1, 1967. All deferred compensation owing to Dr. Werner became payable at the rate of $30,000 per year commencing January 2, 1973.

(b) Mr. Zimmerman was elected an Executive Vice President of the Company on August 1, 1972 and elected a Director on September 20, 1972.

(c) Mr. Williams resigned as Executive Vice President of the Company on April 25, 1972 and as a Director on August 21, 1972. Mr. Williams received $2,179.50 in fees paid to him in his capacities as a member of the Board of Directors and as a member of the Retirement Board for the period during which he was not a salaried officer or employee of the Company.

(d) Victor E. Rockhill became a director of the Company on April 25, 1972. The Chase Manhattan Bank, N.A., of which Mr. Rockhill is Executive Vice President, is Trustee or Agent for Various Accounts (as defined therein) under Loan Agreement dated as of June 1, 1969 pursuant to which $50,000,000 of 5% Convertible Subordinated Notes, due April 1, 1994 were issued by the Company. Such Bank is, in addition, (i) one of nine banks which are lenders to the Company under Credit Agreement dated October 9, 1967 and (ii) one of three banks which are lenders to the Company pursuant to Loan Agreement dated May 5, 1965 with The Ruberoid Co., assumed by the Company by letter dated May 5, 1967. The largest aggregate indebtedness owing to such Bank at any one time during the fiscal year 1972 pursuant to the above agreements and certain short-term borrowings was $12,916,000 and the total amount of interest paid to such Bank during such year was $402,588.

Executive Incentive Compensation. The Company has an Executive Incentive Compensation Plan which was last approved by the stockholders in May 1967. The Plan provides that, in its discretion, the Board of Directors may credit to an incentive compensation fund an amount up to six percent of the excess of the Company's adjusted income over six percent of an amount equal to the value of shareholders' equity at the beginning of the year for which the computation is made. Adjusted income is defined as income before extraordinary items plus foreign, Federal, state and municipal income taxes and a charge equivalent to investment tax credit plus the amount of executive incentive compensation charged to cost and expenses during the calendar year. An award under the Plan may be payable in cash or the Company's Common Stock or both, either promptly after it is made or over any period of time, all as determined by a committee of the Board. Common Stock awarded may be subject to restrictions as to disposition. To the extent an award shall not have been actually paid, it may be forfeited if the employee's service with the Company terminates for a reason other than death, disability or retirement. For the year ended December 31, 1972, $1,624,024 was charged to income for awards to be made in 1973. On February 21, 1973 awards were made for the year 1972 as follows: Dr. Werner, $140,000; Mr. Dalton, $65,000; Mr. Hall, $26,500; all directors and officers as a group, $582,000.

Retirement Income. The Company's Salaried Employees Retirement Plan provides retirement income for salaried employees based upon employee contributions, compensation and credited service as defined in the Plan. Annual retirement income commencing at age 65 to which a participant in the Plan is entitled amounts to the sum of the following (a) ¾ of 1% of the first $4,200 of the annual rate of the participant's compensation in effect December 31, 1956, plus 1½% of the excess of such compensation over $4,200 multiplied by the number of years of past service as defined in the Plan; (b) for service between August

1, 1957 and December 31, 1967, 1% of the first $4,200 of each year's compensation plus 2% of the excess of such compensation over $4,200; (c) for service between January 1, 1968 and December 31, 1972, 1.4% of the first $6,600 of each year's compensation plus 2% of the excess of such compensation over $6,600; (d) for service after January 1, 1973, 1.2% of the first $12,000 of each year's compensation plus 2% of the excess of such compensation over $12,000; and (e) 5% of the accrued pension benefits as of December 31, 1970. Annual amounts of retirement income commencing at age sixty-five, based upon average annual compensation during the entire period of service and assuming such service commences after January 1, 1973, and assuming the employee contributes to the Plan 3% of his annual compensation over $12,000 are illustrated in the following table:

Average Annual Compensation	Estimated Annual Retirement Income Based Upon Years of Service		
	10 Years	20 Years	30 Years
$ 10,000	$ 1,200	$ 2,400	$ 3,600
20,000	3,040	6,080	9,120
30,000	5,040	10,680	15,120
50,000	9,040	18,080	27,120
100,000	19,040	38,080	57,120

No officer of the Company has had such average annual compensation during the term of his service with the Company in excess of $100,000.

Stock Options. In June 1965 the stockholders approved a Stock Option Plan which authorized the granting of options to purchase a maximum of 580,000 shares of the Company's Common Stock to key employees of the Company. The option price at which shares may be purchased may not be less than the fair market value of the shares on the date the option is granted and must be paid in full at the time of exercise of the option. Options granted under the Plan must expire no later than five years from the date of grant and are intended to be "qualified stock options" under Section 422 of the Internal Revenue Code as amended.

The following table sets forth information as of March 5, 1973 with respect to outstanding options which have been granted by the Company under the Stock Option Plan:

No. of Shares Under Option	Number of Optionees	Expiration Date of Options	Exercise Price Per Share
31,250	46	Sept. 3, 1973	$25.375
21,850	37	Nov. 4, 1974	17.313
9,300	17	Sept. 1, 1975	10.1875
2,000	1	Sept. 14, 1975	11.00
62,750	65	June 20, 1977	20.875
10,000	1	Aug. 15, 1977	23.375

The options outstanding as of March 5, 1973 under the Stock Option Plan, with respect to each director, and each of the three highest paid officers as of such date whose aggregate direct remuneration in 1972 was over $30,000 (two of whom had no options outstanding as of such date), and all directors and officers of the Company as a group, are as follows:

Name of Individual or Identity of Group	Number of Shares Under Option	Exercise Price Per Share	Expiration Date of Options
Joseph G. Hall	1,000	$17.313	November 4, 1974
	4,000	20.875	June 20, 1977
John E. Zimmerman	10,000	23.375	August 15, 1977
All officers and directors as a group	3,000	25.375	September 3, 1973
	6,000	17.313	November 4, 1974
	2,500	10.1875	September 1, 1975
	2,000	11.00	September 14, 1975
	39,500	20.875	June 20, 1977
	10,000	23.375	August 15, 1977

The closing sale price of the Common Stock on the New York Stock Exchange on March 21, 1973 was $15⅛ per share.

Stock Purchase Plan

See "Description of Stock Purchase Plan".

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 25,000,000 shares of Common Stock, par value $1.00 per share, and 5,000,000 shares of Preferred Stock, par value $1.00 per share. On March 5, 1973, 13,762,827.5 shares of the Company's Common Stock were issued (including 84,809 shares held in treasury) and 3,104,108 shares of the Company's Preferred Stock, designated as its $1.20 Convertible Preferred Stock (the "Convertible Preferred"), were outstanding.

Common Stock

All outstanding shares of Common Stock rank equally as to voting rights, dividends and upon liquidation and are fully paid and nonassessable. The Common Stock is not entitled to any preemptive rights and is not subject to redemption. Except as set forth under "Convertible Preferred—Voting Rights", Common and Convertible Preferred vote together as one class.

Based upon the Company's stock records and upon information furnished to the Company, no person owns of record, or is known by the Company to own beneficially, more than 10% of the Company's Common Stock.

The Company has undertaken a program to purchase up to 150,000 shares of its Common Stock which will be held as treasury shares and will be available for reissuance in connection with the exercise of employee stock options and for sale to employees under the Stock Purchase Plan.

The payment by the Company of dividends, other than dividends payable in the Company's capital stock, is subject to restrictions imposed by certain instruments relating to the Company's long-term debt. Under the most restrictive of these provisions approximately $205,000,000 of the Company's consolidated retained earnings at December 31, 1972 was not available for dividends. The payment of dividends by the Company on its Common Stock will also be subject to prior payment of cumulative dividends of $1.20 per share per annum on the Convertible Preferred. Otherwise the Company may pay dividends on its Common Stock out of funds legally available. See "Description of Business—New Economic Policy" for information as to dividend restraints in connection with the Government's economic stabilization program.

$1.20 Convertible Preferred Stock

Dividend and Liquidation Rights

The holders of the Convertible Preferred are entitled to receive, prior to the payment of dividends on Common Stock, cumulative cash dividends at the rate of $1.20 per share per annum. Upon any voluntary or involuntary liquidation, dissolution or winding up, before any distribution may be made to the Common stockholders, the holders of the Convertible Preferred shall be entitled to receive $27.50 per share plus an amount equal to all accrued and unpaid dividends.

Voting Rights

Each holder of the Convertible Preferred is entitled to one vote for each share held. Except as set forth below, the Convertible Preferred and Common Stock vote together as one class.

If dividends are in arrears on the Convertible Preferred in an aggregate amount at least equal to six quarterly dividends, the holders of the Convertible Preferred voting as a class will be entitled to elect two directors until all arrears in dividends have been paid and dividends for the current quarterly period have been declared or paid.

The consent of the holders of at least two-thirds of the Convertible Preferred is necessary to authorize, or increase the authorized amount of, any class of stock of the Company ranking prior to the Convertible Preferred as to dividends or assets or to change any of the provisions of the Company's Certificate of Incorporation so as to affect materially any of the powers, preferences and rights of the Convertible Preferred. The consent of the holders of at least the majority of the Convertible Preferred is necessary to increase the authorized number of shares of Preferred Stock or authorize, or increase the authorized number of, shares of stock of equal rank as to dividends or upon liquidation rights.

Redemption Provisions

The Convertible Preferred was callable for redemption on and after June 1, 1972, in whole or in part, at the option of the Company on 30 days' notice, at $30.00 per share through May 31, 1973, $29.50 per share thereafter through May 31, 1974, $29.00 per share thereafter through May 31, 1975, $28.50 per share thereafter through May 31, 1976, $28.00 per share thereafter through May 31, 1977 and $27.50 per share thereafter, plus, in each case, an amount equal to accrued and unpaid dividends to the redemption date.

Conversion Rights

Each share of Convertible Preferred is convertible into the Company's Common Stock at the rate of 1.25 shares of Common Stock for each share of Convertible Preferred. The conversion rate is subject to adjustment from time to time upon the occurrence of specified events in order to prevent dilution of the appropriate number of Common shares to be received upon conversion. No fractional shares will be issued upon conversion, but any fractions will be adjusted in cash on the basis of market value. No adjustments will be made upon conversion in respect of any accrued but unpaid dividends.

General

The Convertible Preferred is not liable for further calls or subject to assessment. It has no pre-emptive or other subscription rights.

Redeemed or converted shares of Convertible Preferred will have the status of authorized and unissued shares of Preferred Stock.

DESCRIPTION OF STOCK PURCHASE PLAN

In April 1969 the stockholders of the Company approved the Stock Purchase Plan, under which an aggregate of 650,000 shares of the Company's Common Stock was reserved for sale to designated employees under sixty years of age. The Stock Purchase Plan authorizes the sale of shares subject to prescribed restrictions as to disposition ("Restricted Shares") and without such restrictions ("Unrestricted Shares"). Restricted Shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except as provided in the Stock Purchase Plan, for a period of five years from the date of purchase or such further period or periods as may be provided by the Committee of the Board which administers the Plan. If an employee's employment terminates for any reason, other than retirement subsequent to the fifth anniversary of the date of purchase or death subsequent to the completion of five years of continuous employment, the Company, or the subsidiary from which the employee purchased Restricted Shares, has the right to repurchase such shares which still remain subject to restriction at the price which the employee paid for them. Any shares so repurchased may be resold by the Company. Under the terms of the Plan as originally adopted the price of Unrestricted Shares had to be at least 80%, and the price of Restricted Shares had to be at least 20%, of the closing price of the Company's Common Stock on the New York Stock Exchange on the last trading date on which such stock was traded preceding the date on which an employee was designated as one to whom shares might be offered for sale. Pursuant to a judgment of the U. S. District Court for the Southern District of New York in two shareholder derivative actions which became final on February 5, 1973 described under "Description of Business—Litigation", the Company was authorized to consummate a settlement approved by the Court which included, among other things, the adoption by the Board of Directors of the Company of a resolution amending the Plan to provide that future sales of Restricted Shares under the Plan shall be at a price of not less than 50% of the closing price of the Company's Common Stock on the New York Stock Exchange on the last trading date on which such stock was traded preceding the date on which an employee is designated as one to whom shares may be offered for sale. The purchase of shares under the Stock Purchase Plan obligates an employee to remain in the employ of the Company or its subsidiaries for not less than two years in the case of employees who purchase Unrestricted Shares and for not less than three years in the case of employees who purchase Restricted Shares.

Pursuant to the Plan, prior to 1972 the Company sold Restricted Shares to a number of employees, including Messrs. Werner (62,000 shares), Dalton (25,000 shares) and Hall (5,000 shares) and all officers and directors as a group (146,000 shares). Of the shares presently outstanding, the Company received, at the time of purchase, a minimum of twenty-five per cent of the purchase price in cash and the balance in six-year promissory notes bearing interest at the rate of six per cent per annum, certain of which require partial prepayments of principal. The promissory notes are secured by pledges of all of the shares purchased. The purchase price for shares of such stock was $5⅜, which was at least 20% of the closing price of the Company's Common Stock on the New York Stock Exchange on the last trading date on which such stock was traded preceding the date on which such employee was designated as one to whom such shares would be offered for sale. Except for the notes of Messrs. Werner and Dalton and Miss Moran, which were prepaid in full in May and June of 1971 and the note of a deceased former employee which has been paid in full, the notes referred to herein are outstanding except with respect to the required prepayments made thereon.

As of March 5, 1973, 35 employees, including officers and directors, held an aggregate of 183,000 restricted shares of Common Stock (and as to 4,000 additional shares of stock held by two deceased former employees, the restrictions have been removed as to 2,000 shares and will be removed as to the balance, upon receipt of the amount owing on such stock), for which they had paid to such date, an aggregate of $666,056 in cash ($253,382 at the time of purchase) and have given the Company promissory notes, the unpaid balance of which aggregated as of such date $339,069 ($751,743 at the time of purchase). Shares so sold (which shares are included in this Prospectus) were not registered under the Securities Act of 1933, as amended, at the time of issuance since their sale did not involve a public offering, as such term is used in Section 4(2) of such Act.

As of March 5, 1973, there were available for sale 463,000 additional shares.

For information with respect to litigation relating to the Stock Purchase Plan, see "Description of Business—Litigation".

FINANCIAL STATEMENTS—EXPERTS

The financial statements of the Company included in this Prospectus have been examined by Haskins & Sells, independent certified public accountants, as stated in their opinion appearing herein and have been so included in reliance upon such opinion given upon their authority as experts in accounting and auditing.

LEGAL OPINION

The legality of the shares of Common Stock to which this Prospectus relates has been passed upon on behalf of the Company by Messrs. Winthrop, Stimson, Putnam & Roberts, 30 Rockefeller Plaza, New York, New York 10020.

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

GAF Corporation:

We have examined the consolidated balance sheet of GAF Corporation and its consolidated subsidiaries as of December 31, 1972 and 1971, the related statements of consolidated income and shareholders' equity for the five years ended December 31, 1972 and the statement of changes in consolidated financial position for the three years ended December 31, 1972. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the companies at December 31, 1972 and 1971 and the results of their operations and the changes in their financial position for the stated periods ended December 31, 1972, in conformity with generally accepted accounting principles which, except for the 1971 changes (with which we concur) in methods of accounting for an investment in a 49% owned company and the investment tax credit, as explained in Notes C, 1, and 3 to the consolidated financial statements, have been applied on a consistent basis.

Haskins & Sells

New York, New York
February 7, 1973 (March 5, 1973 as to the fourth paragraph of Note 12 to the consolidated financial statements)

GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

	December 31, 1972	December 31, 1971
	(In Thousands of Dollars)	
Current Assets		
Cash	$ 19,498	$ 17,012
Marketable securities, at cost which approximates quoted market value	321	116
Accounts receivable—trade, less allowance for doubtful accounts—1972, $2,322,000; 1971, $2,135,000	136,729	124,810
Accounts receivable—other	5,251	5,459
Anticipated proceeds upon sale of plant facilities (Note B)	—	5,500
Inventories (Notes 1 and 4)	171,510	156,404
Prepaid expenses	5,701	4,298
Future Federal income tax benefits (Note 1)	1,303	5,401
Total current assets	340,313	319,000
Other Investments and Advances (Note 3)	2,525	2,794
Property, Plant, and Equipment, at Cost (Notes 1 and 5)		
Land, land improvements, and mineral properties	14,257	15,973
Buildings and building equipment	107,298	110,905
Machinery and equipment	236,005	289,540
Construction in progress	11,158	11,710
	368,718	428,128
Less accumulated depreciation, amortization, and depletion	144,309	205,488
Property, plant, and equipment—net	224,409	222,640
Other Assets		
Cost in excess of net assets acquired, less accumulated amortization—1972, $140,000; 1971, $62,000 (Note 1)	35,928	36,465
Deferred charges, intangibles, etc., less accumulated amortization—1972, $368,000; 1971, $131,000	7,600	7,388
Total other assets	43,528	43,853
Total	$610,775	$588,287

See Notes to Consolidated Financial Statements.

GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

LIABILITIES

	December 31, 1972	December 31, 1971
	(In Thousands of Dollars)	
Current Liabilities		
Notes payable to banks	$ 41,502	$ 21,023
Current portion of long-term debt	15,128	17,957
Accounts payable:		
Trade	35,399	29,498
Other	3,606	4,340
Accrued expenses:		
Federal and foreign income taxes	8,534	14,246
Payroll	3,603	3,053
Retirement plan	4,202	5,337
Other taxes	3,512	2,563
Interest	1,335	1,460
Other	15,233	14,289
Total current liabilities	132,054	113,766
Long-term Debt Less Current Portion Above (Note 7)	118,121	133,926
Deferred Credits and Other Liabilities		
Deferred income taxes (Notes 1 and 6)	28,997	27,402
Deferred investment tax credit (Notes 1 and 6)	5,481	6,089
Obligation under long-term lease (Note 12)	3,195	3,455
Other liabilities	1,664	1,901
Total deferred credits and other liabilities	39,337	38,847
Commitments and Contingent Liabilities (Note 12)		

SHAREHOLDERS' EQUITY

Preferred Stock, $1 par value; authorized 6,000,000 shares; $1.20 convertible series, outstanding—1972, 3,104,108 shares; 1971, 3,170,104 shares; at assigned value of $1.25 per share (Note 8)	3,880	3,962
Common Stock, $1 par value; authorized 25,000,000 shares; issued shares at stated value (Note 8)	13,762	13,618
Additional paid-in capital	51,769	50,550
Retained earnings (Note 7)	252,147	233,672
Total	321,558	301,802
Less Common Stock held in treasury, at cost—1972, 36,209 shares; 1971, 10,000 shares	295	54
Total shareholders' equity	321,263	301,748
Total	$610,775	$588,287

See Notes to Consolidated Financial Statements.

GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

	Year Ended December 31, 1972	1971	1970
	(In Thousands of Dollars)		
Funds Provided			
From operations:			
Income before extraordinary items	$ 27,706	$ 21,507	$ 6,383
Charges (credits) included in income before extraordinary items not requiring the provision or application of funds:			
Depreciation, amortization, and depletion	24,475	23,393	22,523
Deferred income taxes (non-current portion)	2,847	2,462	3,982
Deferred investment tax credit	(608)	(609)	(567)
Amortization of deferred charges and intangible assets	1,283	1,397	1,144
Other	2,109	1,407	1,517
Funds provided from operations, exclusive of extraordinary items	57,892	49,957	35,382
Extraordinary items	—	(4,433)	6,500
Charges (credits) included in extraordinary items not requiring the provision or application of funds:			
Net book value of facilities sold	—	21,381	9,192
Deferred income taxes (non-current portion)	—	(3,313)	(796)
Unamortized deferred investment tax credit	—	(884)	(66)
Funds provided from extraordinary items	—	10,751	14,640
Funds provided from operations	57,892	60,708	50,022
Issuance of long-term debt	—	15,000	1,750
Proceeds from exercise of stock options and sale of restricted stock to key employees	1,039	641	21
Total	58,931	76,349	51,793
Funds Applied			
Expenditures for property, plant, and equipment	29,022	29,959	25,106
Net assets, excluding working capital, of businesses purchased	—	14,513	422
Acquisition cost carried as an investment at December 31, 1969	—	—	(1,845)
Reduction of long-term debt	15,901	17,081	9,639
Payment of dividends	9,231	9,306	9,228
Other	1,752	2,951	1,999
Total	55,906	76,430	44,429
Increase (Decrease) in Working Capital (including increases of $545,000 in 1971 and $1,395,000 in 1970 arising from purchases of businesses)	3,025	(81)	7,364
Working Capital, Beginning of Year	205,234	205,315	197,951
Working Capital, End of Year	$208,259	$205,234	$205,315
Summary of Increase (Decrease) in Working Capital:			
Cash and marketable securities	$ 2,691	$ 3,131	$ (5,687)
Accounts receivable	6,211	14,539	4,337
Inventories	15,166	9,498	(5,321)
Notes payable and current portion of long-term debt	(17,650)	(11,886)	11,984
Accounts payable	(5,167)	(2,135)	4,336
Accrued taxes, wages, etc.	(1,183)	(7,741)	3,506
Federal and foreign income taxes	5,712	(7,466)	(4,474)
Other	(2,695)	2,028	(1,311)
Increase (decrease) in working capital	$ 3,025	$ (81)	$ 7,364

See Notes to Consolidated Financial Statements.

GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF SHAREHOLDERS' EQUITY

For the Five Years Ended December 31, 1972

	Preferred Stock		Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	
	Number of Shares Outstanding	Assigned Value	\$1 Par Value Number of Shares Issued			Number of Common Shares	Cost
Balance, January 1, 1968	3,117,922	\$3,897,000	13,342,061	\$47,099,000	\$208,975,000	—	\$ —
Net income					21,232,000		
Cash dividends							
Preferred stock—\$1.20 per share					(3,774,000)		
Common stock—\$.40 per share					(5,338,000)		
Stock options exercised	38,155	48,000	5,000	729,000			
Issuance of shares under incentive compensation plan			13,630	245,000			
Conversion of preferred stock	(195)		243				
Other				(25,000)			
Balance, December 31, 1968	3,155,882	3,945,000	13,360,934	48,048,000	221,095,000	—	—
Net income					11,068,000		
Cash dividends:							
Preferred stock—\$1.20 per share					(3,793,000)		
Common stock—\$.40 per share					(5,395,000)		
Stock options exercised	6,372	8,000	2,800	169,000			
Issuance of shares under incentive compensation plan	17		13,200	352,000			
Issuance of restricted shares of common stock under stock purchase plan (Note 8)			209,000	914,000			
Conversion of preferred stock	(557)	(1,000)	694				
Amortization of excess of quoted market value over aggregate sales price for shares of restricted common stock sold to key employees (Note 8)				157,000			
Balance, December 31, 1969	3,161,714	3,952,000	13,586,628	49,640,000	222,975,000	—	—
Net income					14,693,000		
Cash dividends:							
Preferred stock—\$1.20 per share					(3,795,000)		
Common stock—\$.40 per share					(5,433,000)		
Stock options exercised	1,150	1,000		20,000			
Issuance of shares under incentive compensation plan	207	1,000	12,200	161,000			
Purchase of treasury shares						11,000	59,000
Sale of treasury shares						(6,000)	(32,000)
Amortization of excess of quoted market value over aggregate sales price for shares of restricted common stock sold to key employees (Note 8)				237,000			
Balance, December 31, 1970 as originally reported	3,163,071	3,954,000	13,598,828	50,058,000	228,440,000	5,000	27,000

(Statement of Shareholders' Equity continued on following page)

GAF CORPORATION
AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF SHAREHOLDERS' EQUITY—(Continued)

For the Five Years Ended December 31, 1972

	Preferred Stock		Common Stock			Treasury Stock	
	Number of Shares Outstanding	Assigned Value	$1 Par Value Number of Shares Issued	Additional Paid-in Capital	Retained Earnings	Number of Common Shares	Cost
Adjustment to change to equity method of accounting for investment in a 49% owned company (Note 3)					1,004,000		
Balance, December 31, 1970 as restated	3,163,071	3,954,000	13,598,828	50,058,000	229,444,000	5,000	27,000
Net income (Notes C and E)					13,474,000		
Cash dividends:							
Preferred stock—$1.20 per share					(3,802,000)		
Common stock—$.40 per share					(5,444,000)		
Stock options exercised	7,840	9,000	3,700	172,000			
Issuance of shares under incentive compensation plan	243			5,000			
Issuance of restricted shares of common stock under stock purchase plan (Note 8)			14,000	61,000			
Conversion of preferred stock	(1,050)	(1,000)	1,312				
Purchase of treasury shares						10,000	54,000
Sale of treasury shares						(5,000)	(27,000)
Amortization of excess of quoted market value over aggregate sales price for shares of restricted common stock sold to key employees (Note 8)				254,000			
Balance, December 31, 1971	3,170,104	3,962,000	13,617,840	50,550,000	233,672,000	10,000	54,000
Net income					27,706,000		
Cash dividends:							
Preferred stock—$1.20 per share					(3,759,000)		
Common stock—$.40 per share					(5,472,000)		
Stock options exercised	2,815	4,000	57,750	977,000			
Issuance of shares under incentive compensation plan	582	1,000		13,000			
Conversion of preferred stock	(69,393)	(87,000)	86,738				
Purchase of treasury shares						43,500	658,000
Issuance of treasury shares in connection with an acquisition						(17,291)	(427,000)
Amortization of excess of quoted market value over aggregate sales price for shares of restricted common stock sold to key employees (Note 8)				180,000			
Other				49,000			
Balance, December 31, 1972	3,104,108	$3,880,000	13,762,328	$51,769,000	$252,147,000	36,209	$295,000

See Notes to Consolidated Financial Statements.

GAF CORPORATION
AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Alphabetic note references are to notes to the statement of consolidated income included elsewhere in this Prospectus)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation—The accounts of all significant subsidiaries of the Company are included in the consolidated financial statements. Certain amounts have been reclassified to conform with 1972 classifications. Current assets and liabilities of foreign subsidiaries are translated into U.S. dollars at year-end exchange rates, other assets and liabilities at historical exchange rates, and operating accounts generally at average exchange rates for each year.

Inventories—Inventories are valued at the lower of cost (principally average) or market.

Property, plant, and equipment—Depreciation and amortization are computed principally on the straight-line method based on the estimated service lives of the property. Depletion of mineral properties is provided at fixed rates per ton of materials produced.

Retirement plans—The Company and its subsidiaries have several pension plans covering substantially all employees. The companies' policy is to fund amounts equal to pension cost accrued and, as to plans with prior service costs, to amortize such costs over periods ranging from ten to forty years.

Cost in excess of net assets acquired—Cost in excess of net assets acquired arose in connection with the purchase of other companies and businesses. Such excess cost, in the opinion of management, has continuing value and the portion thereof ($33,221,000) relating to acquisitions prior to November 1, 1970 is not being amortized so long as there is no diminution in value. The remaining excess cost, which relates to acquisitions made subsequent to October 31, 1970, is being amortized on the straight-line method over a period of forty years. Excess cost arising prior to November 1, 1970 is reduced by income tax benefits realized through liquidation and merger into the Company of certain companies acquired in prior years.

Income taxes—The tax effects of transactions are recognized in the year in which they enter into the determination of net income, regardless of when they are recognized for tax purposes. Deferred income taxes are provided in recognition of timing differences in reporting certain items of income and expense (principally accelerated depreciation) for income tax and financial statement purposes.

No provision is made for income taxes on unremitted earnings of foreign subsidiaries, since any withholding taxes and Federal income taxes payable on dividends which may be received would be substantially offset by foreign tax credits.

Federal income taxes are not provided on unremitted earnings of a domestic subsidiary (a Domestic International Sales Corporation) aggregating $1,279,000 at December 31, 1972, because the Company intends to postpone indefinitely the remittance of such earnings.

Investment tax credit—The Company accounts for investment tax credits arising since January 1, 1971 as a reduction of the provision for Federal income taxes (the flow-through method). Investment tax credits arising prior to that date have been deferred and are being amortized over the estimated service lives of the related assets. The 1971 change recognizes that, based on previous experience, the Company's earnings are depressed during periods of heavy capital expenditures, as a result of start-up expenses and the non-income producing investment of funds, including those invested in initially excess capacity of facilities (Note C).

GAF CORPORATION
AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Earnings per share—Primary earnings per common share are computed by dividing income before extraordinary items and net income less preferred stock dividend requirements by the weighted average number of shares of common stock outstanding during each year. The computations of primary earnings per common share also comprehend the assumed exercise of options granted subsequent to May 31, 1969 for the purchase of shares of common stock; however, their inclusion has no effect on the computed per share amounts.

Fully diluted earnings per common share are computed on the assumption (where the effect thereof would be dilutive as to either income before extraordinary items or net income on a per share basis) that the convertible securities outstanding at the end of each year had been converted into shares of common stock at the beginning of the year, and that conversions occurring during each year had occurred at the beginning of the year. Appropriate adjustment for dividends on preferred stock and interest (net of income tax effect) are made to earnings applicable to common stock for assumed conversions. The computations of fully diluted earnings per common share also assume the exercise of options for the purchase of shares of preferred and common stock where the effect thereof would be dilutive.

Note 2. Foreign Operations

The consolidated balance sheet includes the following amounts with respect to foreign subsidiaries (all of which are wholly-owned):

	December 31, 1972	December 31, 1971
Current assets	$42,001,000	$38,986,000
Other assets	12,571,000	5,576,000
Total assets	54,572,000	44,562,000
Current liabilities	20,162,000	13,195,000
Other liabilities	2,629,000	2,159,000
Total liabilities	22,791,000	15,354,000
Net assets	$31,781,000	$29,208,000

The statement of consolidated income includes the following amounts with respect to foreign subsidiaries:

	Year Ended December 31, 1972	1971	1970	1969	1968
	(In Thousands of Dollars)				
Revenues	$78,996	$65,040	$61,491	$43,149	$35,405
Income before extraordinary items	2,576	3,126	2,051	1,224	1,296
Extraordinary credits	—	1,153	3,923	—	—
Net income	2,576	4,279	5,974	1,224	1,296

GAF CORPORATION
AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The translation of foreign currencies resulted in a net loss of $447,000 for 1972 and a net gain of $992,000 for 1971. The net loss for 1972 is included in other income and the net gain for 1971 has been treated as an extraordinary credit (Note B).

Note 3. Acquisitions

In March 1971, the Company acquired certain photofinishing plants and the business and assets relating thereto for a net cash purchase price of approximately $15,200,000. The results of operations of the acquired business, which did not significantly affect consolidated revenues or net income for 1971, have been included in the consolidated financial statements from the date of acquisition.

In 1972, the Company completed studies (including independent appraisals) to determine the fair value of certain assets included in 1971 acquisitions and recorded at that time at tentative values. As a result of these studies certain reallocations, which did not have a significant effect on the consolidated financial statements, of these tentative values were made.

The Company's ownership of an Australian subsidiary, GAF (Australasia) Pty. Limited (formerly Consolidated Reprographics, Ltd.), was increased to 100% at December 31, 1972 through cash purchases of this subsidiary's shares of capital stock from minority shareholders amounting to approximately $156,000 in 1972 and $1,479,000 in 1971.

The Company has a 49% interest in Chemical Developments of Canada, Limited (CDCL) which was acquired when that company was formed in 1949. Prior to 1971 this investment was included in other investments and advances at a nominal value, and dividends paid by CDCL were included in other income as received. During 1971 the Company adopted the equity method of accounting for the investment in CDCL. The resulting adjustment, consisting of $466,000 representing the excess of cost over carrying value of the investment and $538,000 representing the Company's equity in undistributed earnings for the period from 1949 to December 31, 1970, is included in other investments and advances with an offsetting credit to retained earnings as of December 31, 1970. The statement of consolidated income for years prior to 1971 was not restated to include therein the portion of the adjustment applicable to those years since the amount thereof is not material (Note A).

Note 4. Inventories

The following inventory amounts were used in computing cost of products sold:

	December 31,					
	1972	1971	1970	1969	1968	1967
	(In Thousands of Dollars)					
Finished goods	$ 86,871	$ 78,405	$ 73,203	$ 76,304	$ 67,988	$ 55,731
Work in process	36,359	33,368	33,755	35,004	31,999	29,470
Raw materials and supplies	48,280	44,631	39,948	40,919	36,945	35,755
Total	$171,510	$156,404	$146,906	$152,227	$136,932	$120,956

Note 5. Property, Plant, and Equipment

The ranges of annual depreciation and amortization rates generally were as follows:

Land improvements	2% -10%
Buildings and building equipment	1½%-10%
Machinery and equipment	3% -40%

GAF CORPORATION
AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Maintenance and repairs, and minor renewals and betterments are charged directly to expense. Additions and the more important renewals and betterments are capitalized.

Upon the sale or retirement of property, plant, and equipment, the cost and related accumulated depreciation are removed from the accounts; the resulting profit or loss is reflected in income.

During 1972, all fully depreciated assets, amounting to $79,938,000, were written off against accumulated depreciation.

Note 6. Income Taxes

The provision (credit) for income taxes (exclusive of amounts included in extraordinary items) consists of the following:

	Year Ended December 31, 1972	1971	1970	1969	1968
	(In Thousands of Dollars)				
Federal-current	$12,536	$ 9,028	$ 539	$ 5,331	$14,168
Federal-deferred	6,023	4,531	4,890	5,375	384
Foreign income taxes	2,548	2,356	2,142	1,005	1,038
Amortization of deferred investment tax credit arising prior to 1971	(608)	(689)	(690)	(673)	(499)
Deferred investment tax credit	—	—	123	2,820	2,244
State taxes based on income	2,144	509	185	648	1,232
Total	$22,643	$15,735	$7,189	$14,506	$18,567

Investment tax credits of $1,521,000 in 1972 and $1,139,000 in 1971 have been applied as a reduction of the provision for current Federal income taxes.

The Internal Revenue Service has proposed additional assessments of approximately $4,746,000 plus interest for the years 1967 and 1968 for the Company and certain companies acquired or merged with the Company since 1965. The Company is of the opinion that adequate provision has been made for any additional liability which might arise therefrom.

Note 7. Long-term Debt and Dividend Restrictions

Long-term debt at December 31, 1972 and 1971 is as follows:

	1972	1971
3½% notes due March 1, 1972	$ —	$ 5,250,000
4⅞% notes due June 30, 1972 with quarterly installments of $1,000,000	—	2,000,000

GAF CORPORATION
AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	1972	1971
Notes due May 1, 1974 with quarterly installments of $2,500,000 (Interest rate at ¼ of 1% above floating prime)	$ 15,000,000	$ 25,000,000
Notes due September 15, 1976 with quarterly installments of $1,000,000 beginning March 15, 1973 (Interest rate at floating prime through December 31, 1972 and increasing at specified dates thereafter to a maximum of ½ of 1% above floating prime)	15,000,000	15,000,000
5½% Convertible Subordinated Notes due April 1, 1983 with annual prepayments of $200,000 on April 1, 1972 through 1982 and balance of $1,800,000 payable April 1, 1983	3,800,000	4,000,000
5⅞% Sinking Fund Debentures due December 1, 1991 with annual sinking fund payments of $2,500,000 beginning December 1, 1972, less $1,970,000 and $3,980,000 in treasury in 1972 and 1971, respectively	45,530,000	46,020,000
5% Convertible Subordinated Notes due April 1, 1994 with annual prepayments of $10,000,000 beginning April 1, 1990, less $100,000 in treasury	49,900,000	49,900,000
Other notes, which bear interest at 5⅜% to 9% and mature at various dates to 1986	4,019,000	4,713,000
Total	133,249,000	151,883,000
Less portion due within one year	15,128,000	17,957,000
Long-term debt, less current portion	$118,121,000	$133,926,000

The total amount of long-term debt maturing in the second year subsequent to December 31, 1972 is $12,111,000, in the third year $7,103,000, in the fourth year $6,058,000 and in the fifth year $3,058,000. The 5⅞% Sinking Fund Debentures held in treasury may be used to reduce the amount of the annual sinking fund payments. None of the long-term debt is pledged, held by or for the account of the Company, or held in sinking or other special funds, except for $1,970,000 and $3,980,000 of the 5⅞% Sinking Fund Debentures held in treasury at December 31, 1972 and December 31, 1971, respectively, and $100,000 of 5% Convertible Subordinated Notes held in treasury at December 31, 1972 and December 31, 1971.

The 5% Convertible Subordinated Notes are convertible into shares of Common Stock, at any time, at a conversion price of $27.50 per share (subject to future anti-dilution adjustments in specified circumstances). The 5½% Convertible Subordinated Notes are convertible into shares of Common Stock, at any time, prior to April 2, 1976, at a conversion price of $28.72 per share (subject to future anti-dilution adjustments in specified circumstances).

Dividends are restricted under the provisions of certain loan agreements. Under the most restrictive of these provisions, approximately $205,000,000 of the consolidated retained earnings at December 31, 1972 was not available for dividends.

GAF CORPORATION
AND CONSOLIDATED SUBSIDIARIES

Note 8. Capital Stock

The $1.20 Convertible Preferred Stock, dividends on which are cumulative, is convertible, at any time, into Common Stock at the rate of 1¼ shares of Common Stock for each share of Preferred. The Company may redeem the Preferred Stock at specified prices ranging from $30.00 per share through May 31, 1973 to $27.50 per share after May 31, 1977.

The voluntary or involuntary liquidation value of the 3,104,108 outstanding shares of $1.20 Convertible Preferred Stock at December 31, 1972, aggregating $85,363,000, exceeds the assigned value by $26.25 per share, or a total of $81,483,000. In the opinion of counsel for the Company, retained earnings are not restricted as to payment of dividends on Common Stock by reason of the liquidation preferences of the $1.20 Convertible Preferred Stock.

Under the provisions of the Company's stock option plan, options to purchase shares of Common Stock may be granted to key employees during a ten-year period ending March 31, 1975. The prices at which options may be granted may not be less than 100% of the fair market value of the shares on the dates the options are granted. The options are exercisable after a one-year waiting period and terminate five years from date of grant.

Options outstanding by year of grant at December 31, 1972 and December 31, 1971 were as follows:

		1972		1971	
Year of Grant	Option Price Per Share	Number of Shares	Total Option Price	Number of Shares	Total Option Price
1967	$25.375	—	$ —	17,000	$ 431,000
1968	22.19 – 25.375	84,000	1,965,000	111,750	2,610,000
1969	17.313	22,350	388,000	44,750	775,000
1970	10.1875–11.00	11,800	120,000	28,300	291,000
1972	20.875 – 23.375	72,750	1,544,000	—	—
		190,900	$4,017,000	201,800	$4,107,000

At December 31, 1972 and 1971 there were 319,850 and 366,700 shares, respectively, reserved for the granting of additional options.

Options became exercisable as follows:

		Option Price		Fair Market Value	
Year Exercisable	Number of Shares	Per Share	Total	Per Share	Total
1970	50,500	$17.313	$874,000	$10.062	$ 508,000
1971	31,000	10.1875–11.00	319,000	19.687–19.937	611,000
1972	—	—	—	—	—

GAF CORPORATION
AND CONSOLIDATED SUBSIDIARIES

Common Stock options exercised were as follows:

Year Ended December 31,	Number of Shares	Option Price Per Share	Option Price Total	Fair Market Value Per Share	Fair Market Value Total
1970	—	$ —	$ —	$ —	$ —
1971	3,700	10.1875–17.313	45,000	19.75 –24.625	80,000
1972	57,750	10.1875–25.375	997,000	21.125–27.00	1,434,000

Options for 118,150 and 201,800 shares, having an aggregate option price of $2,473,000 and $4,107,000, respectively, were exercisable at December 31, 1972 and 1971, respectively.

In addition to the above, shares of the $1.20 Convertible Preferred Stock were reserved for exercisable options assumed by the Company at the time of an earlier merger. Options outstanding by year of grant at December 31, 1972 and December 31, 1971 were as follows:

Year of Grant	Option Price Per Share	1972 Number of Shares	1972 Total Option Price	1971 Number of Shares	1971 Total Option Price
1962	$17.75	—	—	915	$16,000
1963	13.50	—	—	1,900	26,000
		—	—	2,815	$42,000

$1.20 Convertible Preferred Stock options exercised were as follows:

Year Ended December 31,	Number of Shares	Option Price Per Share	Option Price Total	Fair Market Value Per Share	Fair Market Value Total
1970	1,150	$13.50–19.375	$ 21,000	$20.125–24.00	$ 27,000
1971	7,840	13.50–18.375	140,000	21.00 –30.75	176,000
1972	2,815	13.50–17.75	42,000	28.125–32.00	86,000

The proceeds from stock options exercised were credited to the Preferred and Common Stock accounts in the amount of the assigned or par values of the respective shares issued, and the excess was credited to additional paid-in capital.

Under the provisions of the Company's Stock Purchase Plan, 650,000 shares of Common Stock may be sold to key employees. The Stock Purchase Plan as originally adopted provides that restricted and unrestricted shares may be sold at prices which are not less than 20% and 80%, respectively, of the closing market price preceding the date on which an employee is designated as one to whom shares may be offered for sale. The minimum purchase price of restricted shares under the Stock Purchase Plan in the future is to be raised from 20% to 50% of such market price in accordance with a court-approved settlement terminating certain shareholders' derivative litigation. The excess of quoted market value over the aggregate sales price for restricted shares sold is being amortized by charges to income over the restriction period. The unamortized balance to be amortized through the period ending January 15, 1980 amounted to $2,918,000 and $3,403,000 at December 31, 1972 and 1971, respectively. Under certain conditions, the Company has the right to repurchase restricted shares of Common Stock at the original selling price. These repurchased shares are held in treasury.

The number of shares of the Company's capital stock reserved for issuance at December 31, 1972 and 1971 were as follows:

	1972	1971
$1.20 Convertible Preferred Stock:		
Reserved for exercise of stock options	—	2,815
Reserved for payment of deferred stock awards under incentive compensation plan	3,129	3,711
Total	3,129	6,526
Common Stock:		
Reserved for conversion of $1.20 convertible preferred stock, including 3,911 and 8,158 shares, respectively, for stock options and deferred stock awards	3,884,046	3,970,788
Reserved for exercise of stock options	510,750	568,500
Reserved for conversion of 5½% convertible subordinated notes	132,312	139,279
Reserved for conversion of 5% convertible subordinated notes	1,814,546	1,814,546
Reserved for sale under the Stock Purchase Plan	458,000	437,000
Total	6,799,654	6,930,113

None of the shares outstanding is held by or for the account of the issuer thereof and no shares, other than stated above, are reserved for officers and employees or for options, warrants, conversions, or other rights.

Note 9. Retirement Plans

The following is a summary of pension costs:

Year Ended December 31,	Amount
1972	$5,961,000
1971	5,539,000
1970	3,667,000

The actuarially computed value of vested benefits exceed the total of pension funds and accrued liabilities for pension cost by $13,612,000 at December 31, 1972. The estimated unfunded prior service cost at December 31, 1972 was $24,523,000.

NOTE 10. EXECUTIVE INCENTIVE COMPENSATION

The Company has an Executive Incentive Compensation Plan that provides for bonuses to key executives of the Company based on consolidated net income (as defined). The provision for such bonuses was as follows:

Year	Amount
1972	$1,624,000
1971	1,265,000
1970	—

NOTE 11. SUPPLEMENTARY INCOME STATEMENT INFORMATION

The following table summarizes supplementary income statement information for the three years ended December 31, 1972:

	Charged to Costs and Expenses For the Year Ended December 31,		
	1972	1971	1970
Maintenance and repairs	$34,059,000	$33,823,000	$30,889,000
Depreciation, amortization and depletion of property, plant and equipment	24,475,000	23,393,000	20,923,000
Taxes, other than taxes on income:			
Social Security and unemployment	10,016,000	9,385,000	7,675,000
Other	7,173,000	6,650,000	6,539,000
Rents	13,283,000	12,022,000	11,296,000
Advertising	18,659,000	15,518,000	11,513,000
Research and development	14,113,000	12,649,000	12,656,000

NOTE 12. COMMITMENTS AND CONTINGENT LIABILITIES

Under the terms of a long-term lease obligation (which has been capitalized) covering 3⅝% to 4¼% City of Annapolis, Missouri, industrial revenue bonds, an annual rental of approximately $385,000 is payable until September 30, 1983 to cover bond principal and interest.

The Company was obligated under other long-term leases at December 31, 1972 as follows:

Leases Expiring In	Aggregate Annual Rental
2– 5 Years	$1,092,000
6–10 Years	644,000
11–20 Years	2,846,000
Over 20 Years	855,000

GAF CORPORATION
AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Concluded)

At December 31, 1972 the Company had commitments of approximately $18,378,000 for the acquisition of property, plant, and equipment.

Reference is made to "Description of Business—New Economic Policy" appearing elsewhere herein for information relating to the Company's request for an increase in its "base period profit margin" under Phase II of the Government's economic stabilization program. In the opinion of management the ultimate disposition of this matter will not materially affect 1973 earnings.

At December 31, 1972, there were certain lawsuits and claims pending against the companies. In the opinion of management the ultimate disposition of these matters will not materially affect the companies' consolidated financial position.